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SUMMARY

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ENERGY: European Community fixes its policy objectives for 1995

The twelve European Community nations have agreed that Community oil consumption should be kept down to around 40% of total energy consumption in 1995. This is a perfectly feasible target for a number of reasons.

Oil's share in the Community's energy mix had already fallen to 45% last year, as compared to 61% in 1973. Equally important is the fact that the Community has succeeded in breaking the link between energy consumption and economic growth. Its total energy consumption fell by over 6% between 1973 and 1983, although its Gross Domestic Product grew by over 18% during the same period.

Holding down oil consumption to around 40% would allow the Community to keep its net oil imports to less than one-third of its total energy consumption. Thanks to a sharp rise in the use of natural gas, and a fourfold increase in nuclear electricity production, imported oil accounted for only a third of total energy needs in 1983 - as against two-thirds some 10 years earlier.

But the long shadow of Chernobyl has fallen on the Community's energy objectives for 1995. When they were first drafted by the European Commission over a year ago they included (1) a reduction in the proportion of electricity generated from oil and natural gas to less than 10% and (2) an increase in the production of nuclear power to roughly 40% in 1995.

The EC Council of Ministers agreed last week to reduce the proportion of electricity generated from hydrocarbons "to less than 15% in 1995". The target for nuclear power has disappeared altogether. The emphasis is on the need to "ensure that all aspects of planning, construction and operation of nuclear installations fulfil optimal safety conditions".

The new energy policy objectives also call for the development of new and renewable energy sources, including conventional hydroelectricity, to be maintained. There is to be a more determined attempt to disseminate results and reproduce successful projects. The Commission had proposed that output be tripled before the end of the century - from an estimated "real" contribution to the Community's energy mix of some 15 million tons of oil equivalent (mtoe) in 1985 to 40 or 50 mtoe in the year 2000. But the Council has settled for "a significant contribution".

The new objectives replace those adopted some 16 years ago for the year 1990. A review carried out by the European Commission last year showed that the 1990 objectives were almost certain to be achieved.

EMERGENCY AID: ECU 1 million for Kalamata

The victims of the earthquake which struck the region of Kalamata, in southern Greece, in mid-September, are to receive ECU 1 million* from the European Community. This emergency aid, decided on September 19 by the European Commission, will help them meet their immediate needs.

Nineteen people died in the earthquake, some 250 were injured and 10,000 left homeless. Over 1,000 homes were destroyed and another 2,500 severely damaged. Total damage has been estimated at ECU 87 million.

* 1 ECU = UKL 0.69 or IRL 0.76.

HEALTH: Harmonization of pharmaceutical products very unlikely

If there is an area in which harmonization by the European Community will be very slow it is that of medicines. As the European Commission recently pointed out to two Belgian Euro-MPs, each Community country is a law to itself as regards the medicines to be prescribed and the prices to be charged.

The absence of any harmonization of pharmaceutical products was highlighted, and condemned, by the European Office of Consumer Unions (BEUC) last year. The European Commission, for its part, has noted that medical tradition and practice differ greatly from one member state to another.

Thus systemic antibiotics account for 20% of all sales in Greece, but only 3% in Germany. Similarly, medicines which act in the central nervous system represent 22% of sales in Denmark - and only 7% in Italy.

Given such wide differences, the Commission believes the kind of harmonization envisaged by the two Euro-MPs to be virtually impossible, for it would have to cover the rules governing not only advertising, instructions for use, classification and brand names but also the sale of medicines in supermarkets.

The Commission is equally sceptical of the possibility of price harmonization. At present, price differences are leading to "parallel" imports, especially in the Netherlands and, if to a lesser extent, the U.K. and Germany. According to the Commission, patients do not benefit from such imports. In effect, in the three countries mentioned, those covered by the national health service pay a fixed amount, regardless of the retail price.

LATIN AMERICA: EC strengthens ties with AP group

"A leap forward in our relations with Latin America is necessary", according to Abel Matutes, the European Commissioner who was recently in the Venezuelan capital, Caracas, for the first agro-industrial conference organized jointly by the European Community and the Andean Pact group of countries*. The Conference in fact showed the way: by the time it was over, businessmen from the Community and Latin America had given the green light to agricultural and industrial projects worth an estimated ECU 400 million+.

Back in Brussels, Mr Matutues, whose responsibilities cover small businesses, credits and investments, told the press that the projects launched in Caracas had been more than a year in the making. The Conference itself gave businessmen the opportunity to envisage fresh joint initiatives, although their scale will not be known for several weeks.

For the European Commissioner such meetings are innovative and must be repeated. He felt that the Conference had done more than allow contracts to be negotiated; it had given two widely separated groups of countries a chance to get to know each other better. Mr Matutes himself had spent much of his time trying to convince economic and political leaders of the Andean Pact countries that the Community is not protectionist, as is generally believed, and as is clear from the size of its foreign trade.

The Commissioner also stressed to Latin American leaders the advantage of raising loans in ECUs, the Community's "currency" which, because of its greater stability, was unlikely to give them an unpleasant surprise.

As for European industrialists and bankers, their knowledge of the Andean Pact countries remains limited. If the level of European investments in these countries is low, it is largely because of an information gap, according to Mr Matutes. Their natural resources and favourable investment laws are not well known in the Community. But the presence within the EC of Spain and Portugal should encourage a strengthening of relations which, since 1983, are covered by a cooperation agreement.

* Bolivia, Colombia, Ecuador, Peru and Venezuela.

+ 1 ECU = UK£ 0.69 or IR£ 0.76.

STEEL: Fewer production quotas in 1987?

From next January 1 only 45% of the European Community's steel output will be subject to production quotas, as compared to 65% at present, if the Community's Council of Ministers adopts the proposals just sent to it by the European Commission. But the latter must first convince not only the twelve governments but also Community undertakings, some of which, including the biggest, would like to keep the present systems.

Steel, one of the large problem sectors of the European industry, has been operating since 1981 under a strict system of production quotas. The various firms in the 10-nation Community (the EC minus Spain and Portugal) are allocated quotas by the European Commission which they cannot exceed.

The rules of the European Coal and Steel Community provide for such a system in the event of a manifest crisis within the industry. The Commission found itself obliged to impose production quotas for the first time in 1980 because of the dramatic situation in the steel industry, with the mills able to produce far more than they could sell because of competition from both new producers and new materials.

Since then European firms have embarked on a major restructuring programme, in agreement with the Commission. In five years they have closed down nearly 32 million tonnes of excess production capacity. This has allowed them to recover their competitivity, but at the cost of numerous jobs. Since the beginning of the year two groups of products have been removed from the list of products subject to quotas.

The European Commission wants to step up the process of liberalization. It points out that European steel mills must operate without external aid from 1988. However, during the period of restructuring not all firms moved into the black; the losses of some continue to be covered by state aids. The Commission believes such a situation cannot last.

It has also noted that the quotas, fixed on the basis of the situation prevailing in the 1970s, no longer correspond to reality; more and more firms want the system modified. However, the biggest steel producers in the 10-nation Community want to keep the production quotas. They point to the rise in imports and fall in exports recorded during the first six months of this year to justify their demand.

EDUCATION: Why Europeans find innovation difficult

An answer to the burning question, "Why is the European Community much less successful than the United States or Japan?" is offered by a recent report on the importance of Research and Development for small businesses. The report, which was prepared by the EC's Economic and Social Committee, gives a two-part answer. (1) Europeans are not as well trained, on the whole, as their American and Japanese counterparts and (2) funds for R & D are not always spent wisely.

Although the school leaving age in the European Community is not very different from what it is in the U.S. or Japan, fewer than half Europe's school leavers seek additional training. In the U.S. and Japan, on the other hand, 86% and 94% respectively continue their studies beyond the legal age. In Sweden as many as 85% do so.

The proportion going on to university is also much higher in these two countries. It is 44% in the U.S. and 39% in Japan, as compared to only 30% in France, 26% in Italy, 18% in Germany, 15% in the Netherlands and 7% in the U.K.

As for the proportion of science degrees, the Japanese lead the field, with as many as 68% of all degrees awarded in Japan. But the Americans are almost bottom of the leage with 25% - alongside the French but a notch higher than the Dutch (22%). Other Community countries have a much higher proportion of science graduates, especially in the UK, with 44%, Germany (42%) and Italy (40%).

The report shows that as regards the ratio of students to teachers and spending on education, the Community countries are in no way handicapped when compared to the U.S. and Japan.

The report traces some of Europe's industrial problems to a wrong distribution of government aid for R & D, which tends to be concentrated on the creation of new technologies rather than the development of new products. Moreover, because of the Community's competition rules, public support is confined to pre-competitive R & D, unlike in the U.S. and Japan.

HOLIDAYS: Staggering them would help tourists and tourism

Faced with crowded beaches and congested motorways, many of this summer's holiday makers must have wondered why they had picked that particular moment to get away from it all. The obvious answer to overcrowded resorts and overbooked facilities lies in staggered holidays, of course. A French Euro-MP, Jean-Pierre Cot, in fact would like the European Commission to press for school holidays to be coordinated throughout the European Community, so that children can be properly accommodated at tourist resorts in both summer and winter.

The Commission first drew the attention of member states to this particular problem some two years ago, when it suggested a number of guidelines for a Community policy on tourism. It pointed out that the concentration of school holidays over a few months of the year meant that tourist facilities were stretched during the summer months and underutilized for the rest of the year.

Early this year the Commission invited the Twelve to coordinate their efforts to stagger holidays in general. However, as regards school holidays, it plans to consult educational and other experts before submitting its proposals.

TELEPHONES: Euro-MP presses for standardization of intra-Community charges

In a genuine common market all telephone calls between member states would be charged at standard rates. But as this goal is still some ways off in the 12-nation European Community, an Irish Euro-MP, Thomas Raftery, has asked the European Commission what progress it has made in its efforts to standardize charges.

The Commission has pointed out that the introduction of the integrated services digital network (ISDN) will provide a unique opportunity for the large-scale harmonization of charges on not only telephone calls but all other telecommunication services within the Community. Although the introduction of this integrated network will only start around 1988, the Commission has already made recommendations to the member states for harmonizing the process.

But the matter is a very complex one, it has pointed out, and several studies on ISDN tariffs have still to be completed. The Commission is pressing the national telecommunications agencies, meanwhile, to conclude bilateral agreements among themselves, with a view to applying their internal, national rates for telephone calls to international calls also. (Some, in fact, already do so).

HIGH TECH: American, Japanese obstacles to greater European competitiveness

The future belongs to the countries than can produce the goods spawned by the third industrial revolution: knowledge-intensive, consuming little energy and with high value added. But it remains an open question whether the 12-nation European Community can account for an important share of world outputof these 21st century products.

Just why the very countries which launched the first industrial revolution should find themselves struggling to catch up with the United States and Japan is fairly obvious by now. Peter Sutherland, the European Commissioner for competition policy in the Community, marshalled all the well-known arguments when he addressed the U.S. Council for International Business recently.

But he also took the opportunity to challenge some of the facile assumptions made by American commentators - and to point to the handicap European industrialists face because of what he termed "administrative intervention" in the U.S. and the impermeability of the Japanese market to high tech imports.

Mr Sutherland clearly felt that transatlantic commentators - and perhaps businessmen as well? - were too quick to assume that European governments are firmly wedded to economic interventionism. Europeans, he pointed out, regarded U.S. and Japanese interventionism as major obstacles to their own competitiveness. The U.S. Defense Department's research budgets, for example, had enabled American industry effectively to pre-empt many high tech production areas.

European firms, he noted, found it virtually impossible to compete with their American counterparts because of the generous funding the latter received for the research and development of such products as high speed chips and super-computers. The EC's contribution to even such a bold Community programme as ESPRIT, Mr Sutherland told American businessmen, came to only $750 million, spread over five years.

The impermeability of the Japanese market, he argued, posed difficulties of another kind for European firms. Few of them succeeded in finding their way to the Japanese market place. However, this virtual absence of foreign competition meant an effective multiplication of the real size of their market for Japanese firms, and made possible the economies of scale needed to penetrate established international markets. Europe's problems, in short, "are not all of our own making", the European Commissioner pointed out.

ECU: Stable as the Rock of Gibraltar?

In a world of floating exchange rates the European Community's own "currency", the ECU, can be seen as a virtual island of stability - stable enough, in any case, to be an excellent choice for long-term borrowers. The French Euro-MP, Jean-Pierre Cot, clearly thinks so; in fact he has urged the European Commission to make sure that at least some of the long-term funds raised to finance the Channel tunnel are expressed in ECU.

The Commission has already told the bodies responsible that it hopes they will use the ECU on a considerable scale. Part of the funds to be raised will be expressed in ECU in fact. But, as the Commission has reminded Mr Cot, the choice of methods of payment is essentially a commercial strategy decision, to be taken by the private companies building the cross-Channel link.

Not everyone is convinced of the value of the ECU, of course. Its German opponents have tried to downgrade it to the status of a mere unit of account by using the feminine form "die ECU", while its supporters use the masculine form "der ECU".

The European Commission, to whom two German Euro-MPs appealed, has shown itself decidedly neutral. In its view, in currencies, as in other matters, "there is no direct and exclusive relationship between intrinsic qualities and gender."

MOTORING: Commission gives green light to new Belgian rules

Motorists beware! Under Belgium's new rules on traffic violations, motorists not normally resident in the country can be fined on the spot. If they refuse to pay, they receive the customary ticket, but must pay a deposit, considerably larger than the fine itself, while the law takes its course.

A number of Euro-MPs, including Britain's Carole Tongue, have sprung to the motorists' defense. In their view Belgium is both violating the European Community's rules on freedom of movement and discriminating between its own and other European citizens.

The Commission maintains, however, that Community law is not being violated. In its view Belgium has only done away with the advantage the non-resident motorist, guilty of a traffic violation, enjoys in the absence of a Community-wide system for collecting traffic fines.